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SENSITIVE

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COMMERCE FOR NATHANIEL MASON

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SUBJECT: DEAR MOROCCAN EXPATRIATES, PLEASE SEND MONEY

REF: RABAT 0171

¶11. (SBU) Summary: The global economic contraction is having a direct effect on Morocco's economy through falling remittances. Based on discussions with government interlocutors and the banking community, the outlook for inflows of expatriate funds into Morocco is increasingly somber. Morocco's expatriate laborers provide the country with its largest source of foreign capital, far more than foreign direct investment inflows and the country's tourist industry. The Ministry of Finance reported recently that remittances will drop 15 percent from USD 6.8 billion in 2008 to an estimated USD 5.5 billion in 2009. The government continues to closely follow the inflow of expatriate funds and recently announced a series of new measures aimed at boosting remittances from Morocco's approximately three million expatriate laborers. End Summary.

Moroccans Living Abroad

¶12. (SBU) According to the Council of the Moroccan Community Abroad (CCME), a government body representing the country's expatriate laborers, more than 3 million Moroccans currently live abroad with an estimated 1.6 million in France and 700,000 in Spain, the two principal sources of remittances for Morocco. CCME's director Driss El Yazami told EconOff there has been a geographical broadening of emigration in the last couple of years, with a particular emphasis on the United States, home to about 100,000 Moroccans. El Yazami also noted that single women are increasingly emigrating from Morocco and now make up more than 50 percent of Moroccans living abroad, known locally as MREs (Marocains Resident a l'Etranger).

MREs: Morocco's Largest Source of Foreign Capital

¶13. (SBU) Remittances contribute to Morocco's economy on both a micro and macro level. Nearly 10 percent of Morocco's GDP comes from remittances. In fact, Morocco's expatriate laborers provide the country with its largest source of foreign capital, far more than foreign direct investment inflows and the country's tourist industry. In Morocco's northeastern Oriental region, historically the origin of the largest number of MREs, remittances make up such a large source of cash that the average bank savings account is nearly ten times the national average. Remittances have also helped offset the country's trade deficit in recent years and have kept Morocco's currency, the Dirham, relatively stable.

¶14. (SBU) At the micro level, remittances are primarily used to support household consumption. A recent World Bank report details the role of remittances in the reduction of poverty in Morocco, discussing their use for household expenditures on education,

healthcare, and small-scale investment in local businesses. Morocco's expatriate laborers are also the largest overseas contributors to the Casablanca Stock Exchange, accounting for 71.5 percent of foreign investments in the Exchange.

The Crisis Hits Home

¶5. (SBU) The repercussions of the slowdown of remittance flows on overall economic activity and government finances are becoming evident. Analysts such as Abderrahim Bouazza, Head of Banking Supervision at the Bank Al-Maghrib (Morocco's central bank), concede that the falling remittances will increase the strain on Morocco's foreign exchange reserves and add to the current account deficit. According to estimates from the Ministry of Economy and Finance, remittances will fall 15 percent from USD 6.8 billion in 2008 to an estimated USD 5.5 billion in 2009. This decline in remittances is equivalent to 1.6 percent of the Kingdom's USD 90 billion GDP. Nabila Freidji, a Western Union Executive, predicted to EconOff that remittances would not begin climbing until the third quarter of ¶2010.

Government Efforts to Boost Remittances

¶6. (SBU) Mindful of remittances' critical role in the national economy, Morocco's "Strategic Watch Committee," established to keep track of and propose remedies to the impact of the global economic crisis, recently announced a series of new measures aimed at propping up declining transfers from MREs. These include lowered fees on money transfers until the end of 2009 and state-guaranteed funds to help low-income expatriates acquire housing units. In addition, the government has created a fund to encourage Moroccans to invest in their home country, by which the state would invest 10 percent of the total costs of an investment project, leaving 25 percent to be funded by the expatriates themselves and the remaining 65 percent to be financed by banks.

Comment

¶7. (SBU) The Moroccan "exception" to the global economic crisis (Reftel) is under strain, as the downturn in key regions like Europe undermines some of the country's most important contributors to GDP growth and its balance of payments. Satisfactory economic growth this year appears certain thanks to a likely record agricultural harvest, but a continuation into next year of the current anemic level of remittances would substantially increase the likelihood of Morocco dipping into recession.

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